NCA
VOC FOR PGM/FN
BACKGROUNDER NO. 5-6228 OCTOBER 27, 1978
DAVID WILLIAMS/LONDON

BRITISH PAY POLICY

ANNCR:

PRESIDENT CARTER'S APPEAL FOR VOLUNTARY PRICE AND WAGE RESTRAINT AND THE THREAT OF POSSIBLE SANCTIONS AGAINST COMPANIES THAT DO NOT COMDY HAS REMINDED MANY OBSERVERS IN BRITAIN OF BRITISH PRIME MINISTER CALLAGHAN'S INFLATION CONTROL POLICY. VOA'S LONDON CORRESPONDENT DAVID WILLIAMS EXPLAINS IN THIS BACKGROUND REPORT.

VOICE:

BOTH LEADERS ARE TRYING TO KEEP INFLATION OUT OF DOUBLE FIGURES (UNDER 10 PERCENT) AND DEFEND THEIR COUNTRY'S CURRENCIES ON INTERNATIONAL MONEY MARKETS. THE BRITISH GOVERNMENT HAS ALREADY BEEN DOWN THE ROAD WITH A CERTAIN DEGREE OF SUCCESS. WHEN LABOR CAME INTO POWER IN NINETEEN SEVENTY FOUR IT DID SO WITH THE SUPPORT OF BRITAIN'S POWERFUL TRADE UNIONS BUT AT THE COST OF AGREEING TO WAGE INCREASES OF UP TO FORTY PERCENT. SOON EVERYBODY BEGAN TO DEMAND HIS FAIR SHARE AND BRITAIN WAS CAUGHT UP IN RUNAWAY INFLATION WITH THE POUND STERLING PLUNGING ON INTERNATIONAL MONEY MARKETS. PRICES SOARED AND IN MANY CASES OUTSTRIPPED WAGE RAISES. IT WAS SAID THAT AS SOON AS SHOP CLERKS FINISHED PUTTING ONE PRICE ON AN ITEM THEY WOULD START BACK DOWN THE AISLE WITH HIGHER PRICE TAGS.

WITH INFLATION RUNNING AT ABOUT TWENTY FIVE PERCENT AND HITTING HARDEST THOSE ON FIXED INCOMES LIKE THE ELDERLY THERE WAS A GENERAL CRY OF "ENOUGH". GOVERNMENT AND LABOR BEGAN TO WORK TOGETHER IN A FOUR-PHASED PROGRAM TO BRING INFLATION UNDER CONTROL AND BACK UNER TEN PERCENT. IT WORKED FOR A WHILE --

THAT IS, UNTIL THIS YEAR WHEN INFLATION FELL BACK INTO SINGLE DIGITS (LESS THAN TEN PERCENT) AND THE GOVERNMENT TRIED TO IMPLEMENT ITS FIVE PERCENT WAGE RESTRAINT PROGRAM. UNIONS BEGAN TO DEMAND HUGE INCREASES. THE FORD MOTOR COMPANY'S FIFTY SEVEN THOUSAND WORKERS HAVE BEEN OUT ON STRIKE FOR A MONTH DEMANDING INCREASES OF OVER TWENTY FIVE PERCENT. SOME UNIONS LIKE THE POWERFUL MINERS HAVE DEMANDED EVE-SRE, AND THIS WEEK THE SEAMEN'S UNION REJECTED A MORE THAN FIVE PERCENT INCREASE. EARLIER THIS MONTH (OCTOBER), THE BRITISH LABOR PARTY REJECTED BY A MORE THAN TWO-TO-ONE MARGIN ITS OWN GOVERNMENT'S FIVE PERCENT PLAN ALTHOUGH THE VOTE IS NOT BINDING ON THE GOVERNMENT.

MISTER CALLAGHAN SAID HE WAS DETERMINED TO STICK TO THE FIVE PERCENT POLICY AND TOLD THE PARTY THEY SHOULD NOT FORGET THE ROAD OF RUNAWAY INFLATION DOWN WHICH BRITAIN TROD A FEW YEARS AGO. HOW THE GOVERNMENT AND THE UNIONS WORK THINGS OUT WILL DETERMINE WHAT KIND OF WINTER THE COUNTRY HAS AND THE LABOR PARTY'S PROSPECTS IN THE NEXT GENERAL ELECTION THAT MUST BE HELD WITH A YEAR. MISTER CALLAGHAN HAS HAD ONE POSITIVE PIECE OF NEWS. A GALLUP PUBLIC OPINION POLL TAKEN IN LATE OCTOBER SHOWS SIXTY SIX PERCENT OF THE ELECTORATE SUPPORTING HIS WAGE POLICY.

WHETHER THE AMERICAN EFFORT TO CONTROL INFLATION WILL PARALLEL THE BRITISH EXPERIENCE REMAINS TO BE SEEN. ECONOMIC EXPERTS IN BRITAIN POINT OUT THAT THE AMERICAN PUBLIC HAS NOT BEEN FORCED TO BITE THE SAME BULLET (FACE THE SAME DIFFICULT CONSEQUENCES) AS THE BRITISH PUBLIC. PRICES IN AMERICA -- IN RELATION TO WAGES -- ARE FAR LOWER THAN IN BRITAIN. OIL PRICES ARE MORE THAN DOUBLE HERE WHAT THEY ARE IN THE UNITED STATES AND IT TAKES A BRITON ABOUT TWICE AS LONG IN WORKING HOURS TO PURCHASE A CAR OR TELEVISION

SET AS HIS AMERICAN COUNTER-PART. FINANCIAL CIRCLES SAY THAT UNTIL THE AMERICAN PUBLIC FEELS THE FULL PRESSURE OF INFLATION AS DID THE BRITISH A FEW YEARS BACK, THE SENSE OF URGENCY TO ATTACK INFLATION AND SAVE THE DOLLAR WILL NOT BE THE SAME.

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